

HOUSE BILL 69

C3, C4

01r0028

(PRE-FILED)

By: **Chair, Health and Government Operations Committee (By Request – Departmental – Insurance Administration, Maryland)**

Requested: September 24, 2009

Introduced and read first time: January 13, 2010

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Insurers – Audits, Investments, and Operations**

3 FOR the purpose of authorizing the Maryland Insurance Commissioner to require a
4 health maintenance organization, authorized insurer, nonprofit health service
5 plan, dental plan organization, and managed care organization to file certain
6 audited financial reports earlier than certain dates; prohibiting certain partners
7 in certain accounting firms responsible for preparing certain audited financial
8 reports from acting in that capacity for more than a certain number of
9 consecutive years for the same insurer; requiring certain insurers to file with
10 the Commissioner certain written plans and all changes and amendments to the
11 written plans for use in the State on or before a certain date; authorizing the
12 reserve investments of an insurer to include securities lending, repurchase,
13 reverse purchase, and dollar roll transactions with business entities, subject to
14 certain requirements; clarifying the type of information that the Commissioner
15 may consider in determining whether the continued operation of an authorized
16 insurer engaging in insurance business in the State would be hazardous to
17 policyholders or creditors of the authorized insurer or the general public;
18 authorizing the Commissioner to order certain insurers to take certain actions if
19 the Commissioner determines that the continued operation of an authorized
20 insurer may be hazardous to policyholders or creditors of the authorized insurer
21 or the general public; requiring the annual statement filed by each nonprofit
22 health service plan to be in a certain form and to contain certain additional
23 information; requiring each nonprofit health service plan to file a certain
24 audited financial report; requiring each nonprofit health service plan to file a
25 certain audited financial report for each affiliate and subsidiary owned by or
26 under the control of the nonprofit health service plan; clarifying the form and
27 content of the annual statement filed by a dental plan organization; authorizing
28 the Commissioner to require a dental plan organization doing business in the
29 State to file a certain interim statement containing certain information;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 requiring a dental plan organization to file a certain audited financial report;
 2 establishing certain penalties; defining certain terms; and generally relating to
 3 the audits, investments, and operations of insurers.

4 BY adding to
 5 Article – Health – General
 6 Section 19–706(cccc)
 7 Annotated Code of Maryland
 8 (2009 Replacement Volume)

9 BY repealing and reenacting, with amendments,
 10 Article – Health – General
 11 Section 19–717
 12 Annotated Code of Maryland
 13 (2009 Replacement Volume)

14 BY repealing and reenacting, with amendments,
 15 Article – Insurance
 16 Section 4–116(c), 4–118(c)(1), 5–511(n), 5–608(a) and (t), 9–102, and 9–103
 17 Annotated Code of Maryland
 18 (2003 Replacement Volume and 2009 Supplement)

19 BY adding to
 20 Article – Insurance
 21 Section 4–116(d) and 5–608(t)
 22 Annotated Code of Maryland
 23 (2003 Replacement Volume and 2009 Supplement)

24 BY repealing and reenacting, with amendments,
 25 Article – Insurance
 26 Section 14–121, 14–413, and 15–605(f)
 27 Annotated Code of Maryland
 28 (2006 Replacement Volume and 2009 Supplement)

29 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 30 MARYLAND, That the Laws of Maryland read as follows:

31 **Article – Health – General**

32 19–706.

33 **(CCCC) THE PROVISIONS OF § 5–608(T) OF THE INSURANCE ARTICLE**
 34 **APPLY TO HEALTH MAINTENANCE ORGANIZATIONS.**

35 19–717.

1 (a) Except as provided in [subsection (b)] **SUBSECTIONS (B) AND (C)** of this
2 section and unless, for good cause shown, the Commissioner extends the time for a
3 reasonable period:

4 (1) On or before March 1 of each year, each health maintenance
5 organization shall file with the Commissioner a report that shows the financial
6 condition of the health maintenance organization on the last day of the preceding
7 calendar year and any other information that the Commissioner requires by rule or
8 regulation; and

9 (2) On or before June 1 of each year, each health maintenance
10 organization shall file with the Commissioner an audited financial report for the
11 preceding calendar year.

12 (b) A health maintenance organization that has a fiscal year other than the
13 calendar year may request permission to file both the annual report required under
14 subsection (a)(1) of this section and the audited financial report required under
15 subsection (a)(2) of this section at the end of its fiscal year rather than the preceding
16 calendar year. If the Commissioner grants this permission, the health maintenance
17 organization shall file the annual report with the Commissioner within 60 days after
18 the end of its fiscal year, and the health maintenance organization shall file the
19 audited financial report with the Commissioner within 150 days after the end of its
20 fiscal year.

21 **(C) WITH 90 DAYS' ADVANCE NOTICE, THE COMMISSIONER MAY**
22 **REQUIRE A HEALTH MAINTENANCE ORGANIZATION TO FILE AN AUDITED**
23 **FINANCIAL REPORT EARLIER THAN THE DATE SPECIFIED IN SUBSECTION (A) OF**
24 **THIS SECTION.**

25 **[(c)] (D)** The annual report shall:

26 (1) Be on the forms that the Commissioner requires; and

27 (2) Include a description of any changes in the information submitted
28 under § 19-708 of this subtitle.

29 **[(d)] (E)** The audited financial report shall:

30 (1) Be on the forms that the Commissioner requires; and

31 (2) Be certified by an audit of a certified public accounting firm.

32 **[(e)] (F)** Each financial report filed under this section is a public record.

33 **Article – Insurance**

34 4-116.

1 (c) (1) **[On] EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS**
 2 **SECTION, ON** or before June 1 of each year, an authorized insurer shall file with the
 3 Commissioner an audited financial report for the immediately preceding calendar
 4 year.

5 (2) The authorized insurer shall have the report prepared by an
 6 independent certified public accountant.

7 (3) The Commissioner may:

8 (i) set requirements for the form and content of the report; and

9 (ii) for good cause, extend the time for filing the report.

10 (4) Unless the Commissioner extends the time for filing, an authorized
 11 insurer that fails to file an audited financial report on or before June 10 shall pay a
 12 penalty of:

13 (i) \$100 for each day from June 1 to June 10, both inclusive;
 14 and

15 (ii) \$150 for each day from June 11 to the day before the
 16 Commissioner receives the report, both inclusive.

17 **(D) WITH 90 DAYS' ADVANCE NOTICE, THE COMMISSIONER MAY**
 18 **REQUIRE AN AUTHORIZED INSURER TO FILE AN AUDITED FINANCIAL REPORT**
 19 **EARLIER THAN THE DATE SPECIFIED IN SUBSECTION (C) OF THIS SECTION.**

20 4-118.

21 (c) (1) (i) A partner in an accounting firm responsible for preparing an
 22 audited financial report under § 4-116 of this subtitle for an insurer may not act in
 23 that capacity for more than **[7] 5** consecutive years for the same insurer.

24 (ii) If a partner in an accounting firm responsible for preparing
 25 an audited financial report under § 4-116 of this subtitle for an insurer exceeds **[7] 5**
 26 consecutive years in that capacity, the partner shall be disqualified from acting in the
 27 same or similar capacity for that insurer or its insurance subsidiaries or affiliates for a
 28 period of not less than **[2] 5 CONSECUTIVE** years.

29 5-511.

30 (n) (1) The reserve investments of a life insurer may include securities
 31 lending, repurchase, reverse repurchase, and dollar roll transactions with business
 32 entities, subject to the requirements of paragraphs (2) through (9) of this subsection.

1 (2) **(I)** The insurer's board of directors shall adopt a written plan
2 that specifies guidelines and objectives to be followed, such as:

3 **[(i)]** **1.** a description of how cash received will be invested or
4 used for general corporate purposes of the insurer;

5 **[(ii)]** **2.** operational procedures to manage interest rate risk,
6 counterparty default risk, the conditions under which proceeds from reverse
7 repurchase transactions may be used in the ordinary course of business, and the use of
8 acceptable collateral in a manner that reflects the liquidity needs of the transaction;
9 and

10 **[(iii)]** **3.** the extent to which the insurer may engage in these
11 transactions.

12 **(II) THE INSURER SHALL FILE WITH THE COMMISSIONER**
13 **THE WRITTEN PLAN INCLUDING ALL CHANGES AND AMENDMENTS TO THE**
14 **WRITTEN PLAN FOR USE IN THE STATE ON OR BEFORE THE DATE THE PLAN**
15 **BECOMES EFFECTIVE.**

16 (3) (i) The insurer shall enter into a written agreement for all
17 transactions authorized under this subsection other than dollar roll transactions.

18 (ii) The written agreement shall require that each transaction
19 terminate no more than 1 year from its inception or on the earlier demand of the
20 insurer.

21 (iii) The agreement shall be with the business entity
22 counterparty, but for securities lending transactions, the agreement may be with an
23 agent acting on behalf of the insurer, if the agent is a qualified business entity, and if
24 the agreement:

25 1. requires the agent to enter into separate agreements
26 with each counterparty that are consistent with the requirements of this section; and

27 2. prohibits securities lending transactions under the
28 agreement with the agent or its affiliates.

29 (4) (i) Cash received in a transaction under this subsection shall be
30 invested in accordance with this subtitle and in a manner that recognizes the liquidity
31 needs of the transaction or used by the insurer for its general corporate purposes.

32 (ii) For so long as the transaction remains outstanding, the
33 insurer, its agent, or custodian shall maintain, as to acceptable collateral received in a
34 transaction under this subsection, either physically or through the book entry systems
35 of the Federal Reserve, Depository Trust Company, Participants Trust Company, or
36 other securities depositories approved by the Commissioner:

- 1 1. possession of the acceptable collateral;
- 2 2. a perfected security interest in the acceptable
3 collateral; or
- 4 3. in the case of a jurisdiction outside the United States,
5 title to, or rights of a secured creditor to, the acceptable collateral.

6 (5) (i) The limitations of § 5–507 of this subtitle do not apply to the
7 business entity counterparty exposure created by transactions under this subsection.

8 (ii) For purposes of calculations made to determine compliance
9 with this subsection, no effect will be given to the insurer’s future obligation to resell
10 securities, in the case of a repurchase transaction, or to repurchase securities, in the
11 case of a reverse repurchase transaction.

12 (iii) An insurer may not enter into a transaction under this
13 subsection if, as a result of and after giving effect to the transaction:

14 1. A. the aggregate amount of securities then loaned,
15 sold to, or purchased from any one business entity counterparty under this subsection
16 would exceed 5% of its admitted assets; and

17 B. in calculating the amount sold to or purchased from a
18 business entity counterparty under repurchase or reverse repurchase transactions,
19 effect may be given to netting provisions under a master written agreement; or

20 2. the aggregate amount of all securities then loaned,
21 sold to, or purchased from all business entities under this subsection would exceed
22 40% of its admitted assets.

23 (6) (i) In a securities lending transaction, the insurer shall receive
24 acceptable collateral having a market value as of the transaction date at least equal to
25 102% of the market value of the securities loaned by the insurer in the transaction as
26 of that date.

27 (ii) If at any time the market value of the acceptable collateral
28 is less than the market value of the loaned securities, the business entity counterparty
29 shall be obligated to deliver additional acceptable collateral, the market value of
30 which, together with the market value of all acceptable collateral then held in
31 connection with the transaction, at least equals 102% of the market value of the
32 loaned securities.

33 (7) (i) In a reverse repurchase transaction, other than a dollar roll
34 transaction, the insurer shall receive acceptable collateral having a market value as of
35 the transaction date at least equal to 95% of the market value of the securities
36 transferred by the insurer in the transaction as of that date.

1 (ii) If at any time the market value of the acceptable collateral
2 is less than 95% of the market value of the securities so transferred, the business
3 entity counterparty shall be obligated to deliver additional acceptable collateral, the
4 market value of which, together with the market value of all acceptable collateral then
5 held in connection with the transaction, at least equals 95% of the market value of the
6 transferred securities.

7 (8) In a dollar roll transaction, the insurer shall receive cash in an
8 amount at least equal to the market value of the securities transferred by the insurer
9 in the transaction as of the transaction date.

10 (9) (i) In a repurchase transaction, the insurer shall receive as
11 acceptable collateral transferred securities having a market value at least equal to
12 102% of the purchase price paid by the insurer for the securities.

13 (ii) If at any time the market value of the acceptable collateral
14 is less than 100% of the purchase price paid by the insurer, the business entity
15 counterparty shall be obligated to provide additional acceptable collateral, the market
16 value of which, together with the market value of all acceptable collateral then held in
17 connection with the transaction, at least equals 102% of the purchase price.

18 (iii) Securities acquired by an insurer in a repurchase
19 transaction may not be sold in a reverse repurchase transaction, loaned in a securities
20 lending transaction, or otherwise pledged.

21 5-608.

22 (a) (1) In this section the following words have the meanings indicated.

23 **(2) "DOLLAR ROLL TRANSACTION" MEANS TWO SIMULTANEOUS**
24 **TRANSACTIONS WITH DIFFERENT SETTLEMENT DATES NO MORE THAN 96 DAYS**
25 **APART, SO THAT IN THE TRANSACTION WITH THE EARLIER SETTLEMENT DATE,**
26 **AN INSURER SELLS TO A BUSINESS ENTITY, AND IN THE OTHER TRANSACTION**
27 **THE INSURER IS OBLIGATED TO PURCHASE FROM THE SAME BUSINESS ENTITY,**
28 **SUBSTANTIALLY SIMILAR SECURITIES OF THE FOLLOWING TYPES:**

29 **(I) ASSET-BACKED SECURITIES ISSUED, ASSUMED, OR**
30 **GUARANTEED BY THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, THE**
31 **FEDERAL NATIONAL MORTGAGE ASSOCIATION, OR THE FEDERAL HOME LOAN**
32 **MORTGAGE CORPORATION OR THEIR RESPECTIVE SUCCESSORS; AND**

33 **(II) OTHER ASSET-BACKED SECURITIES REFERRED TO IN**
34 **SECTION 106 OF TITLE I OF THE SECONDARY MORTGAGE MARKET**
35 **ENHANCEMENT ACT OF 1984 (15 U.S.C., § 77R-1), AS AMENDED.**

1 **[(2)] (3)** “Fixed charges” include:

2 (i) interest on funded and unfunded debt amortization of debt
3 discount; and

4 (ii) rentals for leased properties.

5 **[(3)] (4)** “Institution” includes a corporation, joint stock association,
6 and business trust.

7 **[(4)] (5)** “Net earnings available for fixed charges” means net income
8 after deducting operating and maintenance expenses, taxes other than federal and
9 state income taxes, depreciation, and depletion, and excluding extraordinary
10 nonrecurring items or income or expense appearing in the regular financial
11 statements of the issuing, assuming, or guaranteeing institutions.

12 **[(5)] (6)** “Obligation” includes bonds, debentures, notes, or other
13 evidences of indebtedness.

14 **(7) “REPURCHASE TRANSACTION” MEANS A TRANSACTION IN**
15 **WHICH AN INSURER PURCHASES SECURITIES FROM A BUSINESS ENTITY THAT IS**
16 **OBLIGATED TO REPURCHASE THE PURCHASED SECURITIES OR EQUIVALENT**
17 **SECURITIES FROM THE BUSINESS ENTITY AT A SPECIFIED PRICE, EITHER**
18 **WITHIN A SPECIFIED PERIOD OF TIME OR ON DEMAND.**

19 **(8) “REVERSE REPURCHASE TRANSACTION” MEANS A**
20 **TRANSACTION IN WHICH AN INSURER SELLS SECURITIES TO A BUSINESS ENTITY**
21 **AND IS OBLIGATED TO REPURCHASE THE SOLD SECURITIES OR EQUIVALENT**
22 **SECURITIES FROM THE BUSINESS ENTITY AT A SPECIFIED PRICE, EITHER**
23 **WITHIN A SPECIFIED PERIOD OF TIME OR ON DEMAND.**

24 **(9) “SECURITIES LENDING TRANSACTION” MEANS A**
25 **TRANSACTION IN WHICH SECURITIES ARE LOANED BY AN INSURER TO A**
26 **BUSINESS ENTITY THAT IS OBLIGATED TO RETURN THE LOANED SECURITIES OR**
27 **EQUIVALENT SECURITIES TO THE INSURER, EITHER WITHIN A SPECIFIED**
28 **PERIOD OF TIME OR ON DEMAND.**

29 **(T) (1) THE RESERVE INVESTMENTS OF AN INSURER MAY INCLUDE**
30 **SECURITIES LENDING, REPURCHASE, REVERSE REPURCHASE, AND DOLLAR**
31 **ROLL TRANSACTIONS WITH BUSINESS ENTITIES, SUBJECT TO THE**
32 **REQUIREMENTS OF PARAGRAPHS (2) THROUGH (9) OF THIS SUBSECTION.**

33 **(2) (I) THE INSURER’S BOARD OF DIRECTORS SHALL ADOPT A**
34 **WRITTEN PLAN THAT SPECIFIES GUIDELINES AND OBJECTIVES TO BE**
35 **FOLLOWED, SUCH AS:**

1 1. A DESCRIPTION OF HOW CASH RECEIVED WILL BE
2 INVESTED OR USED FOR GENERAL CORPORATE PURPOSES OF THE INSURER;

3 2. OPERATIONAL PROCEDURES TO MANAGE
4 INTEREST RATE RISK, COUNTERPARTY DEFAULT RISK, THE CONDITIONS UNDER
5 WHICH PROCEEDS FROM REVERSE REPURCHASE TRANSACTIONS MAY BE USED
6 IN THE ORDINARY COURSE OF BUSINESS, AND THE USE OF ACCEPTABLE
7 COLLATERAL IN A MANNER THAT REFLECTS THE LIQUIDITY NEEDS OF THE
8 TRANSACTION; AND

9 3. THE EXTENT TO WHICH THE INSURER MAY
10 ENGAGE IN THESE TRANSACTIONS.

11 (ii) THE INSURER SHALL FILE WITH THE COMMISSIONER
12 THE WRITTEN PLAN INCLUDING ALL CHANGES AND AMENDMENTS TO THE
13 WRITTEN PLAN FOR USE IN THE STATE ON OR BEFORE THE DATE THE PLAN
14 BECOMES EFFECTIVE.

15 (3) (i) THE INSURER SHALL ENTER INTO A WRITTEN
16 AGREEMENT FOR ALL TRANSACTIONS AUTHORIZED UNDER THIS SUBSECTION
17 OTHER THAN DOLLAR ROLL TRANSACTIONS.

18 (ii) THE WRITTEN AGREEMENT SHALL REQUIRE THAT EACH
19 TRANSACTION TERMINATE NO MORE THAN 1 YEAR FROM ITS INCEPTION OR ON
20 THE EARLIER DEMAND OF THE INSURER.

21 (iii) THE AGREEMENT SHALL BE WITH THE BUSINESS
22 ENTITY COUNTERPARTY, BUT FOR SECURITIES LENDING TRANSACTIONS, THE
23 AGREEMENT MAY BE WITH AN AGENT ACTING ON BEHALF OF THE INSURER, IF
24 THE AGENT IS A QUALIFIED BUSINESS ENTITY, AND IF THE AGREEMENT:

25 1. REQUIRES THE AGENT TO ENTER INTO SEPARATE
26 AGREEMENTS WITH EACH COUNTERPARTY THAT ARE CONSISTENT WITH THE
27 REQUIREMENTS OF THIS SECTION; AND

28 2. PROHIBITS SECURITIES LENDING TRANSACTIONS
29 UNDER THE AGREEMENT WITH THE AGENT OR ITS AFFILIATES.

30 (4) (i) CASH RECEIVED IN A TRANSACTION UNDER THIS
31 SUBSECTION SHALL BE INVESTED IN ACCORDANCE WITH THIS SUBTITLE AND IN
32 A MANNER THAT RECOGNIZES THE LIQUIDITY NEEDS OF THE TRANSACTION OR
33 USED BY THE INSURER FOR ITS GENERAL CORPORATE PURPOSES.

1 **(II) FOR SO LONG AS THE TRANSACTION REMAINS**
2 **OUTSTANDING, THE INSURER, ITS AGENT, OR ITS CUSTODIAN SHALL MAINTAIN,**
3 **AS TO ACCEPTABLE COLLATERAL RECEIVED IN A TRANSACTION UNDER THIS**
4 **SUBSECTION, EITHER PHYSICALLY OR THROUGH THE BOOK ENTRY SYSTEMS OF**
5 **THE FEDERAL RESERVE, DEPOSITORY TRUST COMPANY, PARTICIPANTS**
6 **TRUST COMPANY, OR OTHER SECURITIES DEPOSITORIES APPROVED BY THE**
7 **COMMISSIONER:**

8 **1. POSSESSION OF THE ACCEPTABLE COLLATERAL;**

9 **2. A PERFECTED SECURITY INTEREST IN THE**
10 **ACCEPTABLE COLLATERAL; OR**

11 **3. IN THE CASE OF A JURISDICTION OUTSIDE THE**
12 **UNITED STATES, TITLE TO, OR RIGHTS OF A SECURED CREDITOR TO, THE**
13 **ACCEPTABLE COLLATERAL.**

14 **(5) (I) THE LIMITATIONS OF § 5-606(A) OF THIS SUBTITLE DO**
15 **NOT APPLY TO THE BUSINESS ENTITY COUNTERPARTY EXPOSURE CREATED BY**
16 **TRANSACTIONS UNDER THIS SUBSECTION.**

17 **(II) FOR PURPOSES OF CALCULATIONS MADE TO**
18 **DETERMINE COMPLIANCE WITH THIS SUBSECTION, NO EFFECT WILL BE GIVEN**
19 **TO THE INSURER'S FUTURE OBLIGATION TO RESELL SECURITIES, IN THE CASE**
20 **OF A REPURCHASE TRANSACTION, OR TO REPURCHASE SECURITIES, IN THE**
21 **CASE OF A REVERSE REPURCHASE TRANSACTION.**

22 **(III) AN INSURER MAY NOT ENTER INTO A TRANSACTION**
23 **UNDER THIS SUBSECTION IF, AS A RESULT OF AND AFTER GIVING EFFECT TO**
24 **THE TRANSACTION:**

25 **1. A. THE AGGREGATE AMOUNT OF SECURITIES**
26 **THEN LOANED, SOLD TO, OR PURCHASED FROM ANY ONE BUSINESS ENTITY**
27 **COUNTERPARTY UNDER THIS SUBSECTION WOULD EXCEED 5% OF ITS**
28 **ADMITTED ASSETS; AND**

29 **B. IN CALCULATING THE AMOUNT SOLD TO OR**
30 **PURCHASED FROM A BUSINESS ENTITY COUNTERPARTY UNDER REPURCHASE**
31 **OR REVERSE REPURCHASE TRANSACTIONS, EFFECT MAY BE GIVEN TO NETTING**
32 **PROVISIONS UNDER A MASTER WRITTEN AGREEMENT; OR**

33 **2. THE AGGREGATE AMOUNT OF ALL SECURITIES**
34 **THEN LOANED, SOLD TO, OR PURCHASED FROM ALL BUSINESS ENTITIES UNDER**
35 **THIS SUBSECTION WOULD EXCEED 40% OF ITS ADMITTED ASSETS.**

1 **(6) (I)** IN A SECURITIES LENDING TRANSACTION, THE INSURER
2 SHALL RECEIVE ACCEPTABLE COLLATERAL HAVING A MARKET VALUE AS OF
3 THE TRANSACTION DATE AT LEAST EQUAL TO 102% OF THE MARKET VALUE OF
4 THE SECURITIES LOANED BY THE INSURER IN THE TRANSACTION AS OF THAT
5 DATE.

6 **(II)** IF AT ANY TIME THE MARKET VALUE OF THE
7 ACCEPTABLE COLLATERAL IS LESS THAN THE MARKET VALUE OF THE LOANED
8 SECURITIES, THE BUSINESS ENTITY COUNTERPARTY SHALL BE OBLIGATED TO
9 DELIVER ADDITIONAL ACCEPTABLE COLLATERAL, THE MARKET VALUE OF
10 WHICH, TOGETHER WITH THE MARKET VALUE OF ALL ACCEPTABLE
11 COLLATERAL THEN HELD IN CONNECTION WITH THE TRANSACTION, AT LEAST
12 EQUALS 102% OF THE MARKET VALUE OF THE LOANED SECURITIES.

13 **(7) (I)** IN A REVERSE REPURCHASE TRANSACTION, OTHER
14 THAN A DOLLAR ROLL TRANSACTION, THE INSURER SHALL RECEIVE
15 ACCEPTABLE COLLATERAL HAVING A MARKET VALUE AS OF THE TRANSACTION
16 DATE AT LEAST EQUAL TO 95% OF THE MARKET VALUE OF THE SECURITIES
17 TRANSFERRED BY THE INSURER IN THE TRANSACTION AS OF THAT DATE.

18 **(II)** IF AT ANY TIME THE MARKET VALUE OF THE
19 ACCEPTABLE COLLATERAL IS LESS THAN 95% OF THE MARKET VALUE OF THE
20 SECURITIES SO TRANSFERRED, THE BUSINESS ENTITY COUNTERPARTY SHALL
21 BE OBLIGATED TO DELIVER ADDITIONAL ACCEPTABLE COLLATERAL, THE
22 MARKET VALUE OF WHICH, TOGETHER WITH THE MARKET VALUE OF ALL
23 ACCEPTABLE COLLATERAL THEN HELD IN CONNECTION WITH THE
24 TRANSACTION, AT LEAST EQUALS 95% OF THE MARKET VALUE OF THE
25 TRANSFERRED SECURITIES.

26 **(8)** IN A DOLLAR ROLL TRANSACTION, THE INSURER SHALL
27 RECEIVE CASH IN AN AMOUNT AT LEAST EQUAL TO THE MARKET VALUE OF THE
28 SECURITIES TRANSFERRED BY THE INSURER IN THE TRANSACTION AS OF THE
29 TRANSACTION DATE.

30 **(9) (I)** IN A REPURCHASE TRANSACTION, THE INSURER SHALL
31 RECEIVE AS ACCEPTABLE COLLATERAL TRANSFERRED SECURITIES HAVING A
32 MARKET VALUE AT LEAST EQUAL TO 102% OF THE PURCHASE PRICE PAID BY
33 THE INSURER FOR THE SECURITIES.

34 **(II)** IF AT ANY TIME THE MARKET VALUE OF THE
35 ACCEPTABLE COLLATERAL IS LESS THAN 100% OF THE PURCHASE PRICE PAID
36 BY THE INSURER, THE BUSINESS ENTITY COUNTERPARTY SHALL BE OBLIGATED
37 TO PROVIDE ADDITIONAL ACCEPTABLE COLLATERAL, THE MARKET VALUE OF

1 WHICH, TOGETHER WITH THE MARKET VALUE OF ALL ACCEPTABLE
2 COLLATERAL THEN HELD IN CONNECTION WITH THE TRANSACTION, AT LEAST
3 EQUALS 102% OF THE PURCHASE PRICE.

4 (iii) SECURITIES ACQUIRED BY AN INSURER IN A
5 REPURCHASE TRANSACTION MAY NOT BE SOLD IN A REVERSE REPURCHASE
6 TRANSACTION, LOANED IN A SECURITIES LENDING TRANSACTION, OR
7 OTHERWISE PLEDGED.

8 [(t)] (U) The reserve investments of an insurer may include any other
9 investments not otherwise prohibited by this subtitle if:

10 (1) the aggregate amount of the investments made under this
11 subsection does not exceed 4% of the amount of the admitted assets of the insurer at
12 the end of the previous year; and

13 (2) the investment does not violate any limitations on allowed
14 investments under this section.

15 9–102.

16 (a) In determining whether the continued operation of an authorized insurer
17 engaging in insurance business in the State would be hazardous to policyholders or
18 creditors of the authorized insurer or the general public, the Commissioner may
19 consider:

20 (1) adverse findings reported in financial condition and market
21 conduct examination reports, **AUDIT REPORTS, AND ACTUARIAL OPINIONS,**
22 **REPORTS, OR SUMMARIES;**

23 (2) the Insurance Regulatory Information System and [related
24 reports] **OTHER FINANCIAL ANALYSIS SOLVENCY TOOLS AND REPORTS** of the
25 National Association of Insurance Commissioners;

26 (3) [the ratios of benefits under policies, reserve increases, commission
27 expense, and general insurance expense, as to annual premium and net investment
28 income and whether any of those ratios could lead to an impairment of capital and
29 surplus;

30 (4) whether the asset portfolio of the authorized insurer, when viewed
31 in light of current economic conditions, has sufficient value, liquidity, or diversity to
32 ensure the ability of the authorized insurer to meet its outstanding obligations as they
33 mature] **WHETHER THE AUTHORIZED INSURER HAS MADE ADEQUATE**
34 **PROVISION, ACCORDING TO PRESENTLY ACCEPTED ACTUARIAL STANDARDS OF**
35 **PRACTICE, FOR THE ANTICIPATED CASH FLOWS REQUIRED BY THE**
36 **CONTRACTUAL OBLIGATIONS AND RELATED EXPENSES OF THE INSURER, WHEN**

1 CONSIDERED IN LIGHT OF THE ASSETS HELD BY THE INSURER WITH RESPECT
2 TO SUCH RESERVES AND RELATED ACTUARIAL ITEMS INCLUDING, BUT NOT
3 LIMITED TO, THE INVESTMENT EARNINGS ON SUCH ASSETS AND THE
4 CONSIDERATIONS ANTICIPATED TO BE RECEIVED AND RETAINED UNDER SUCH
5 POLICIES AND CONTRACTS;

6 ~~[(5)]~~ (4) the ability of an assuming reinsurer to perform, including
7 whether the reinsurance program of the authorized insurer provides sufficient
8 protection for its remaining surplus, after taking into account the cash flow of the
9 authorized insurer and classes of business written by the authorized insurer and the
10 financial condition of the assuming reinsurer;

11 ~~[(6)]~~ (5) whether in the last 12-month period or any shorter period,
12 the authorized insurer's operating loss, calculated to include net capital gain or loss,
13 change in non-admitted assets, and cash dividends paid to stockholders, is greater
14 than 50% of that part of the authorized insurer's policyholder surplus that is in excess
15 of the minimum required surplus;

16 (6) WHETHER THE AUTHORIZED INSURER'S OPERATING LOSS IN
17 THE LAST 12-MONTH PERIOD OR ANY SHORTER PERIOD, EXCLUDING NET
18 CAPITAL GAINS, IS GREATER THAN 20% OF THE AUTHORIZED INSURER'S
19 POLICYHOLDER SURPLUS THAT IS IN EXCESS OF THE MINIMUM REQUIRED
20 SURPLUS;

21 (7) whether [an affiliate, subsidiary, or] A reinsurer, OBLIGOR, OR
22 ANY ENTITY WITHIN THE AUTHORIZED INSURER'S INSURANCE HOLDING SYSTEM
23 is insolvent, threatened with insolvency, or delinquent in the payment of a monetary
24 or other obligation, AND WHICH, IN THE OPINION OF THE COMMISSIONER, MAY
25 AFFECT THE SOLVENCY OF THE INSURER;

26 (8) contingent liabilities, pledges, or guarantees that, either
27 individually or collectively, involve a total amount that the Commissioner believes
28 may affect the solvency of the authorized insurer;

29 (9) whether a controlling person of the authorized insurer is
30 delinquent in transmission or payment of net premiums to the insurer;

31 (10) the age and collectibility of receivables;

32 (11) whether the management of the authorized insurer, including an
33 officer, director, or any other person that has direct or indirect control over operation,
34 fails to possess and demonstrate the competence, fitness, and reputation considered
35 necessary to serve the authorized insurer in a position of control;

1 (12) whether the management of the authorized insurer has failed to
2 respond to inquiries about the condition of the authorized insurer or has responded to
3 an inquiry with false or misleading information;

4 **(13) WHETHER THE AUTHORIZED INSURER HAS FAILED TO MEET**
5 **FINANCIAL AND HOLDING COMPANY FILING REQUIREMENTS IN THE ABSENCE**
6 **OF A REASON SATISFACTORY TO THE COMMISSIONER;**

7 **[(13)] (14)** whether the management of the authorized insurer has:

8 (i) filed a false or misleading sworn financial statement;

9 (ii) released a false or misleading financial statement to a
10 lending institution or the general public;

11 (iii) made a false or misleading entry in the books of the
12 authorized insurer; or

13 (iv) omitted an entry of a material amount in the books of the
14 authorized insurer;

15 **[(14)] (15)** whether the authorized insurer has grown so rapidly that it
16 lacks adequate financial and administrative capacity to meet its obligations in a
17 timely manner; **[or]**

18 **[(15)] (16)** whether the authorized insurer has experienced or will
19 experience in the foreseeable future cash flow or liquidity problems;

20 **(17) WHETHER THE MANAGEMENT OF AN AUTHORIZED INSURER**
21 **HAS ESTABLISHED RESERVES THAT DO NOT COMPLY WITH MINIMUM**
22 **STANDARDS ESTABLISHED BY THE STATE'S INSURANCE LAWS, STATUTORY**
23 **ACCOUNTING STANDARDS, SOUND ACTUARIAL PRINCIPLES, AND STANDARDS OF**
24 **PRACTICE;**

25 **(18) WHETHER THE MANAGEMENT OF AN AUTHORIZED INSURER**
26 **PERSISTENTLY ENGAGES IN MATERIAL UNDER-RESERVING THAT RESULTS IN**
27 **ADVERSE DEVELOPMENT;**

28 **(19) WHETHER TRANSACTIONS AMONG AFFILIATES, SUBSIDIARIES,**
29 **OR CONTROLLING PERSONS FOR WHICH THE INSURER RECEIVES ASSETS OR**
30 **CAPITAL GAINS, OR BOTH, DO NOT PROVIDE SUFFICIENT VALUE, LIQUIDITY, OR**
31 **DIVERSITY TO ASSURE THE AUTHORIZED INSURER'S ABILITY TO MEET ITS**
32 **OUTSTANDING OBLIGATIONS AS THEY MATURE; OR**

1 **(20) ANY OTHER FINDING DETERMINED BY THE COMMISSIONER TO**
2 **BE HAZARDOUS TO POLICYHOLDERS, CREDITORS OF THE AUTHORIZED**
3 **INSURER, OR THE GENERAL PUBLIC.**

4 (b) In determining whether the financial condition of an authorized insurer
5 would cause its continued operation in the State to be hazardous to policyholders or
6 creditors of the authorized insurer or the general public, the Commissioner may:

7 (1) disregard a credit or amount receivable resulting from transactions
8 with a reinsurer that is insolvent, impaired, or otherwise subject to a delinquency
9 proceeding;

10 (2) make appropriate adjustments, **INCLUDING DISALLOWANCE,**
11 **CONSISTENT WITH THE NATIONAL ASSOCIATION OF INSURANCE**
12 **COMMISSIONERS ACCOUNTING POLICIES AND PROCEDURES MANUAL AND**
13 **STATE LAWS AND REGULATIONS,** to asset values attributable to investments in or
14 transactions with parents, subsidiaries, or affiliates of the authorized insurer;

15 (3) refuse to recognize the stated value of accounts receivable if the
16 ability to collect the receivables is highly speculative because of the age of the account
17 or financial condition of the debtor; or

18 (4) increase the liability of the authorized insurer in an amount equal
19 to any contingent liability, pledge, or guarantee not otherwise included in the
20 statement of liability if there is a substantial risk that the authorized insurer will
21 have to discharge the liability, pledge, or guarantee within the next 12-month period.

22 9–103.

23 If the Commissioner determines that the continued operation of an authorized
24 insurer may be hazardous to policyholders or creditors of the authorized insurer or the
25 general public, the Commissioner may issue an order that requires the authorized
26 insurer to:

27 (1) reduce the total amount of present and potential liability for
28 benefits under policies through reinsurance;

29 (2) reduce, suspend, or limit the volume of business being accepted or
30 renewed;

31 (3) reduce general insurance and commission expenses by specified
32 methods;

33 (4) increase capital and surplus;

34 (5) suspend or limit the declaration and payment of dividends to
35 policyholders or stockholders;

1 (6) file reports in a form acceptable to the Commissioner about the
2 market value of its assets;

3 (7) limit or withdraw from certain investments or discontinue certain
4 investment practices to the extent that the Commissioner considers necessary;

5 (8) document the adequacy of premium rates in relation to risks
6 insured; [or]

7 (9) file, in addition to regular annual statements, interim financial
8 reports on the form adopted by the National Association of Insurance Commissioners
9 or in another form required by the Commissioner;

10 **(10) CORRECT CORPORATE GOVERNANCE PRACTICE**
11 **DEFICIENCIES AND ADOPT AND UTILIZE GOVERNANCE PRACTICES ACCEPTABLE**
12 **TO THE COMMISSIONER;**

13 **(11) PROVIDE A BUSINESS PLAN TO THE COMMISSIONER IN ORDER**
14 **TO CONTINUE TO TRANSACT BUSINESS IN THE STATE; OR**

15 **(12) NOTWITHSTANDING ANY OTHER PROVISION OF LAW LIMITING**
16 **THE FREQUENCY OR AMOUNT OF PREMIUM RATE ADJUSTMENTS, ADJUST RATES**
17 **FOR ANY NONLIFE INSURANCE PRODUCT WRITTEN BY THE AUTHORIZED**
18 **INSURER THAT THE COMMISSIONER CONSIDERS NECESSARY TO IMPROVE THE**
19 **FINANCIAL CONDITION OF THE INSURER.**

20 14–121.

21 (a) (1) On or before March 1 of each year, unless the Commissioner
22 extends the time for good cause, each nonprofit health service plan shall file with the
23 Commissioner a complete statement of its financial condition, transactions, and affairs
24 for the immediately preceding calendar year.

25 (2) The annual statement shall [contain the information required by
26 the Commissioner and be certified by an independent certified public accountant]:

27 **(I) BE IN THE FORM AND HAVE THE CONTENT APPROVED**
28 **FOR CURRENT USE BY THE NATIONAL ASSOCIATION OF INSURANCE**
29 **COMMISSIONERS OR ITS SUCCESSOR ORGANIZATION; AND**

30 **(II) CONTAIN ANY ADDITIONAL INFORMATION THAT THE**
31 **COMMISSIONER REQUIRES.**

32 (3) The applicable fee required by § 2–112 of this article shall be
33 submitted at the same time as the statement.

1 (4) Unless the Commissioner extends the time for filing, a nonprofit
2 health service plan that fails to file an annual statement on or before March 10 shall
3 pay a penalty of:

4 (i) \$100 for each day from March 1 to March 10, both inclusive;
5 and

6 (ii) \$150 for each day from March 11 to the day before the
7 Commissioner receives the statement, both inclusive.

8 (b) At any time, the Commissioner may require a nonprofit health service
9 plan doing business in the State to file an interim statement containing the
10 information that the Commissioner considers necessary.

11 **[(c) (1) (i) This paragraph does not apply to:**

12 1. a health maintenance organization required to file an
13 annual report under § 19–717 of the Health – General Article; or

14 2. an authorized insurer required to file an annual
15 report under § 4–116 of this article.

16 (ii) On or before June 30 of each year, unless the Commissioner
17 extends the time for good cause, each nonprofit health service plan shall file with the
18 Commissioner an audited financial report for each affiliate and subsidiary owned by or
19 under the control of the nonprofit health service plan during the immediately
20 preceding calendar year.

21 (2) The report shall contain the information required by the
22 Commissioner and be certified by an independent certified public accountant as to the
23 financial condition, transactions, and affairs of each affiliate and subsidiary for the
24 immediately preceding calendar year.

25 (3) Unless the Commissioner extends the time for filing, a nonprofit
26 health service plan that fails to file an audited financial report on or before July 10
27 shall pay a penalty of:

28 (i) \$100 for each day from June 30 to July 10, both inclusive;
29 and

30 (ii) \$150 for each day from July 11 to the day before the
31 Commissioner receives the report, both inclusive.]

32 **(C) (1) (I) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
33 **SUBSECTION, ON OR BEFORE JUNE 1 OF EACH YEAR, A NONPROFIT HEALTH**

1 SERVICE PLAN SHALL FILE WITH THE COMMISSIONER AN AUDITED FINANCIAL
2 REPORT FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR.

3 (II) THE NONPROFIT HEALTH SERVICE PLAN SHALL HAVE
4 THE AUDITED FINANCIAL REPORT PREPARED BY AN INDEPENDENT CERTIFIED
5 PUBLIC ACCOUNTANT.

6 (III) THE COMMISSIONER MAY:

7 1. SET REQUIREMENTS FOR THE FORM AND
8 CONTENT OF THE AUDITED FINANCIAL REPORT; AND

9 2. FOR GOOD CAUSE, EXTEND THE TIME FOR FILING
10 THE AUDITED FINANCIAL REPORT.

11 (2) WITH 90 DAYS' ADVANCE NOTICE, THE COMMISSIONER MAY
12 REQUIRE A NONPROFIT HEALTH SERVICE PLAN TO FILE AN AUDITED FINANCIAL
13 REPORT EARLIER THAN THE DATE SPECIFIED IN PARAGRAPH (1) OF THIS
14 SUBSECTION.

15 (3) (I) THIS PARAGRAPH DOES NOT APPLY TO:

16 1. A HEALTH MAINTENANCE ORGANIZATION
17 REQUIRED TO FILE AN ANNUAL REPORT UNDER § 19-717 OF THE HEALTH -
18 GENERAL ARTICLE; OR

19 2. AN AUTHORIZED INSURER REQUIRED TO FILE AN
20 ANNUAL REPORT UNDER § 4-116 OF THIS ARTICLE.

21 (II) ON OR BEFORE JUNE 1 OF EACH YEAR, A NONPROFIT
22 HEALTH SERVICE PLAN SHALL FILE WITH THE COMMISSIONER AN AUDITED
23 FINANCIAL REPORT FOR EACH AFFILIATE AND SUBSIDIARY OWNED BY OR
24 UNDER THE CONTROL OF THE NONPROFIT HEALTH SERVICE PLAN DURING THE
25 IMMEDIATELY PRECEDING CALENDAR YEAR.

26 (III) THE COMMISSIONER MAY, FOR GOOD CAUSE, EXTEND
27 THE TIME FOR FILING THE AUDITED FINANCIAL REPORTS.

28 (IV) THE AUDITED FINANCIAL REPORTS:

29 1. SHALL CONTAIN THE INFORMATION REQUIRED BY
30 THE COMMISSIONER; AND

1 **2. BE CERTIFIED BY AN INDEPENDENT CERTIFIED**
2 **PUBLIC ACCOUNTANT AS TO THE FINANCIAL CONDITION, TRANSACTIONS, AND**
3 **AFFAIRS OF EACH AFFILIATE AND SUBSIDIARY FOR THE IMMEDIATELY**
4 **PRECEDING CALENDAR YEAR.**

5 (d) As part of the audited financial [report] **REPORTS** required under
6 subsection [(c)] **(C)(3)** of this section, each nonprofit health service plan shall:

7 (1) file a consolidated financial statement that:

8 (i) covers the nonprofit health service plan and each of its
9 affiliates and subsidiaries; and

10 (ii) consists of the financial statements of the nonprofit health
11 service plan and each of its affiliates and subsidiaries, certified by an independent
12 certified public accountant as to the financial condition, transactions, and affairs of the
13 plan and its affiliates and subsidiaries for the immediately preceding calendar year;

14 (2) provide a list of:

15 (i) the names and addresses of and biographical information
16 about the members of the board of directors of the nonprofit health service plan;

17 (ii) the total compensation, including all cash and deferred
18 compensation in addition to salary, of:

19 1. each member of the board of directors of the nonprofit
20 health service plan;

21 2. each officer of the nonprofit health service plan or any
22 affiliate or subsidiary of the plan; and

23 3. any employee of the nonprofit health service plan or
24 any affiliate or subsidiary of the plan designated by the Commissioner; and

25 (3) provide any other information or documents necessary for the
26 Commissioner to ensure compliance with this subtitle.

27 **(E) UNLESS THE COMMISSIONER EXTENDS THE TIME FOR FILING, A**
28 **NONPROFIT HEALTH SERVICE PLAN THAT FAILS TO FILE AN AUDITED**
29 **FINANCIAL REPORT ON OR BEFORE JUNE 10 SHALL PAY A PENALTY OF:**

30 **(1) \$100 FOR EACH DAY FROM JUNE 1 TO JUNE 10, BOTH**
31 **INCLUSIVE; AND**

1 **(2) \$150 FOR EACH DAY FROM JUNE 11 TO THE DAY BEFORE THE**
2 **COMMISSIONER RECEIVES THE REPORT, BOTH INCLUSIVE.**

3 **[(e) (F)]** The statements and reports required under this section shall be in
4 the form required by the Commissioner.

5 **[(f) (G)]** Whenever a corporation authorized under this subtitle makes a
6 change that would result in a change in any of the information required under
7 subsection (d) of this section, the corporation shall notify the Commissioner within 30
8 days after the change becomes effective.

9 14-413.

10 (a) On or before **[April 1] MARCH 1** of each year, each dental plan
11 organization shall file with the Commissioner a **[report, on the form that the**
12 **Commissioner provides, that covers the activities of the dental plan organization for**
13 **the] COMPLETE STATEMENT OF ITS FINANCIAL CONDITION, TRANSACTIONS, AND**
14 **AFFAIRS FOR THE IMMEDIATELY** preceding calendar year.

15 **[(b)]** The report required under subsection (a) of this section shall include:

16 (1) a financial statement of the dental plan organization, including its
17 balance sheet, receipts, and disbursements for the preceding year certified by a
18 certified public accountant;

19 (2) any significant modification of information submitted with the
20 application for a certificate of authority;

21 (3) the number of individuals who became enrollees during the year,
22 the number of enrollees as of the end of the year, and the number of enrollments
23 terminated during the year;

24 (4) a description of the enrollee complaint system, including:

25 (i) the procedures of the complaint system;

26 (ii) the number of written complaints handled through the
27 complaint system;

28 (iii) a summary of causes underlying the complaints; and

29 (iv) the current number, amount, and disposition of malpractice
30 claims settled during the year by the dental plan organization and any of the dentists
31 used by it; and

32 (5) any other information about the performance of the dental plan
33 organization that the Commissioner requires.]

1 **(B) THE ANNUAL STATEMENT SHALL:**

2 **(1) BE IN THE FORM AND HAVE THE CONTENT APPROVED FOR**
3 **CURRENT USE BY THE NATIONAL ASSOCIATION OF INSURANCE**
4 **COMMISSIONERS OR ITS SUCCESSOR ORGANIZATION; AND**

5 **(2) CONTAIN ANY ADDITIONAL INFORMATION THAT THE**
6 **COMMISSIONER REQUIRES.**

7 **(C) UNLESS THE COMMISSIONER EXTENDS THE TIME FOR FILING, A**
8 **DENTAL PLAN ORGANIZATION THAT FAILS TO FILE AN ANNUAL STATEMENT ON**
9 **OR BEFORE MARCH 10 SHALL PAY A PENALTY OF:**

10 **(1) \$100 FOR EACH DAY FROM MARCH 1 TO MARCH 10, BOTH**
11 **INCLUSIVE; AND**

12 **(2) \$150 FOR EACH DAY FROM MARCH 11 TO THE DAY BEFORE**
13 **THE COMMISSIONER RECEIVES THE REPORT, BOTH INCLUSIVE.**

14 **(D) AT ANY TIME, THE COMMISSIONER MAY REQUIRE A DENTAL PLAN**
15 **ORGANIZATION DOING BUSINESS IN THE STATE TO FILE AN INTERIM**
16 **STATEMENT CONTAINING THE INFORMATION THAT THE COMMISSIONER**
17 **CONSIDERS NECESSARY.**

18 **(E) (1) EXCEPT AS PROVIDED IN PARAGRAPH (5) OF THIS**
19 **SUBSECTION, ON OR BEFORE JUNE 1 OF EACH YEAR, EACH DENTAL PLAN**
20 **ORGANIZATION SHALL FILE WITH THE COMMISSIONER AN AUDITED FINANCIAL**
21 **REPORT FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR.**

22 **(2) THE DENTAL PLAN ORGANIZATION SHALL HAVE THE AUDITED**
23 **FINANCIAL REPORT PREPARED BY AN INDEPENDENT CERTIFIED PUBLIC**
24 **ACCOUNTANT.**

25 **(3) THE COMMISSIONER MAY:**

26 **(I) SET REQUIREMENTS FOR THE FORM AND CONTENT OF**
27 **THE AUDITED FINANCIAL REPORT; AND**

28 **(II) FOR GOOD CAUSE, EXTEND THE TIME FOR FILING THE**
29 **AUDITED FINANCIAL REPORT.**

1 **(4) UNLESS THE COMMISSIONER EXTENDS THE TIME FOR FILING,**
2 **A DENTAL PLAN ORGANIZATION THAT FAILS TO FILE AN AUDITED FINANCIAL**
3 **REPORT ON OR BEFORE JUNE 10 SHALL PAY A PENALTY OF:**

4 **(I) \$100 FOR EACH DAY FROM JUNE 1 TO JUNE 10, BOTH**
5 **INCLUSIVE; AND**

6 **(II) \$150 FOR EACH DAY FROM JUNE 11 TO THE DAY**
7 **BEFORE THE COMMISSIONER RECEIVES THE REPORT, BOTH INCLUSIVE.**

8 **(5) WITH 90 DAYS' ADVANCE NOTICE, THE COMMISSIONER MAY**
9 **REQUIRE A DENTAL PLAN ORGANIZATION TO FILE AN AUDITED FINANCIAL**
10 **REPORT EARLIER THAN THE DATE SPECIFIED IN PARAGRAPH (1) OF THIS**
11 **SUBSECTION.**

12 15-605.

13 (f) (1) (i) On or before March 1 of each year, unless, for good cause
14 shown, the Commissioner extends the time for a reasonable period, each managed care
15 organization shall file with the Commissioner a report that shows the financial
16 condition of the managed care organization on the last day of the preceding calendar
17 year and any other information that the Commissioner requires by bulletin or
18 regulation.

19 (ii) At any time, the Commissioner may require a managed care
20 organization to file an interim statement containing the information that the
21 Commissioner considers necessary.

22 (iii) The annual and interim reports shall be filed in a form
23 required by the Commissioner.

24 (2) (i) **[On] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS**
25 **SUBSECTION ON** or before June 1 of each year, each managed care organization shall
26 file with the Commissioner an audited financial report for the preceding calendar year.

27 (ii) The audited financial report shall:
28 1. be filed in a form required by the Commissioner; and
29 2. be certified by an audit of an independent certified
30 public accountant.

31 **(3) WITH 90 DAYS' ADVANCE NOTICE, THE COMMISSIONER MAY**
32 **REQUIRE A MANAGED CARE ORGANIZATION TO FILE AN AUDITED FINANCIAL**
33 **REPORT EARLIER THAN THE DATE SPECIFIED IN PARAGRAPH (2) OF THIS**
34 **SUBSECTION.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2010.